ROB

ANNUAL
REPORT

# YELLOWKNIFE BEAR

## MINES LIMITED

FOR THE YEAR ENDED JUNE 30th

## 1979

# Yellowknife Bear Mines Limited

**DIRECTORS**

HANS H. ESTIN, *Boston, Mass., U.S.A.*
THOMAS P. FISCHER, *Toronto, Canada*
J. H. GRAY, *Oakville, Canada*
WILSON E. MCLEAN, Q.C., *Toronto, Canada*
R. G. PRICE, *Calgary, Canada*
W. E. REARDEN, *Toronto, Canada*
J. DOUGLAS STREIT, *Toronto, Canada*
A. E. MACKAY, *Toronto, Canada*

**OFFICERS**

J. DOUGLAS STREIT, President, *Toronto, Canada*
R. G. PRICE, Vice-President, *Calgary, Canada*
T. P. FISCHER, Secretary-Treasurer, *Toronto, Canada*

**TRANSFER AGENTS AND REGISTRARS**

GUARANTY TRUST COMPANY OF CANADA
88 University Ave., *Toronto, Ontario M5J 1T6*

GUARANTY TRUST COMPANY OF CANADA
311 - 8th Avenue West, *Calgary, Alberta*

REGISTRAR AND TRANSFER COMPANY
140 Cedar Street, *New York, N.Y. U.S.A. 10006*
15 Exchange Place, *Jersey City, N.J., U.S.A. 07302*

**SOLICITORS**

MCLEAN, LYONS AND KERR, *Toronto, Ontario*

**BANKERS**

CANADIAN IMPERIAL BANK OF COMMERCE, *Toronto, Ontario*

**AUDITORS**

MACGILLIVRAY & COMPANY, *Toronto, Ontario*

**HEAD OFFICE**

360 Bay Street, *Toronto, Ontario, Canada M5H 2W3*

**EXPLORATION OFFICE**

717 - 7th Ave. S.W., *Calgary, Alberta T2P 0Z3*

# YELLOWKNIFE BEAR MINES LIMITED
## *Report of the Directors*

To the Shareholders,
YELLOWKNIFE BEAR MINES LIMITED

The Directors of Yellowknife Bear Mines Limited are pleased to present the following report to the Shareholders describing the operations of the Company for the twelve months ended June 30, 1979.

### FINANCIAL

The Schedule of Marketable Investments and Current Assets, minus Current Liabilities as of June 30, 1979 amounted to $16,016,000. This figure amounted to $11,353,000. as of June 30, 1978

Earnings per share before deferred Income Taxes amounted to 24 cents per share as compared to 55 cents last year. This reduction is accounted for primarily by the sale last year of our long term holdings in Alminex Ltd., which created a Capital Gain of approximately $1,400,000. Earnings from oil and gas production increased over last year and we would expect a further increase as gas from wells in the Gulf of Mexico are scheduled to start production early in 1980.

Dividend payments inaugurated in 1953 have been made by Yellowknife Bear in twenty-five of the last twenty-seven years and without interruption for the past twenty-one years.

### EXPLORATION

#### Cutbank — Kakwa Area — Alberta

Map #4 shows the Yellowknife Bear interest in the Cutbank Kakwa and Musreau Lake areas of the southern section of the Elmworth Deep Basin gas and oil play in Northwestern Alberta.

Land prices in this area paid at Alberta Crown sales have escalated sharply in the past few months following reports of successful gas wells on both sides of our lease block by Husky in Twp. 62, Rge. 9, W6M, and by Dome-Union in Twp. 62, Rge. 6 and Twp. 63, Rge. 7. In March 1979 we participated with Dome (the operator) and other partners including Texas Gulf, Candel, Chieftain Development, Hudson's Bay Oil and Gas, Oakwood, Norcen and Ashland in the purchase of a 7,520 acre permit in Twp. 63, Rge.7 and 8, W6M for $833,742.00, about $110.00 per acre.

We have since completed a successful gas well (details tight) in Sec. 36, Twp. 63, Rge. 8, W6M and are now drilling a well in Twp. 62, Rge. 8. At an August 15, 1979, Crown Sale, we again participated with Dome and other partners in the purchase of two additional permits: a 8,920 acre permit in Twp. 63 and 64, Rge. 8, W6M for $6,960,746.52 ($777.00 per acre) and a 10,880 acre permit in Twp. 61 and 62, Rge. 8 for $11,968,847.61 ($1,110.00 per acre).

The Yellowknife Bear interest in each of these permit purchases was 2.5 per cent. Including these purchases your company now holds varying interests of up to 5 per cent in 84,320 gross acres, or a net interest of 2,026 acres as shown on Map #1.

Yellowknife Bear has just approved A.F.E's for the drilling of three additional wells in Twp. 62 and 63, Rge. 7, W6M. These wells are shown as locations on Map #1.

The Alberta Government is expected to offer additional leases and permits in this area at future Crown sales. As a result all operators are holding well information "tight", but from our own experience and from indications of success by other operators and from escalating land prices being paid at Crown sales, the area

appears to have encouraging potential for development of a significant gas field with the added possibility of oil discoveries similar to those reported in Twp. 63, Rge. 5, W6M.

### Northwest Territories

Yellowknife Bear holds 5,823 net acres in seven MacKenzie Valley lease blocks with a gross area of 129,264 acres and 6,052 net permit acres in three adjacent permits with gross permit area of 81,867 acres. We have applied to go to lease on these latter three permits.

Map #3 shows the location of these holdings when all were in permit form.

We have now farmed out these interests to Esso Resources (Imperial Oil) who have committed to spend three million dollars (at least 50% on seismic work) after which they will have to drill at least 6 wells in three separate areas to earn a 66²/₃% interest in our properties.

In May 1979 Esso Resources announced that provided step out development drilling at the Norman wells oilfield is successful they plan to build a 500 mile oil pipeline south from Norman Wells along the MacKenzie Valley to connect to the oil pipeline system in Northern Alberta. For the first time this pipeline will make it possible to transport to market and sell any oil discovered along its route. Yellowknife Bear already has a 6.25% interest in the East MacKay heavy oil discovery well drilled in 1971, but due to the lack of a pipeline outlet we were never able to develop this discovery.

### Northeastern Alberta (Twp. 75, Rge. 15, W4th M)

Yellowknife Bear purchased a 10% interest in 9.5 sections of lease at the January 17, 1979 Alberta Crown sale. The cost of our 10% interest in this purchase was $37,309. This is a prime area for shallow natural gas production and it is close to the gas pipeline which supplies gas to the Fort McMurray area tar sands plant.

### Goat Area — N.E. British Columbia

At a B.C. Crown sale held on June 28, 1978, your company purchased a 10% interest in a 10,228 acre lease block which was purchased by a group headed by Amoco for $1,133,093. We are now conducting a 56 mile 1200% seismic survey on this block and plan initial drilling in the winter of 1979-80.

### Offshore Gulf Coast

In June, 1977 Yellowknife Bear participated in the purchase of six lease blocks located offshore from Texas and Louisiana in the Gulf of Mexico, at a U.S. Federal Reserve offshore lease sale. The six blocks covering a total of 51,529 acres were purchased for a total of $31,866,200 and Yellowknife Bear interests vary from about 0.6% to 1.42%. The first two wells drilled on the West Cameron Block proved up sufficient gas reserves to justify commercial production. A five million dollar production platform built by Brown and Root is now on location from which two production wells have been drilled to date. We are scheduled to start marketing natural gas from 7 or 8 wells drilled from this platform in March 1980.

Initial drilling on block 504 has also established commercial gas reserves and Yellowknife Bear recently signed an A.F.E. for our share of the cost of a six million dollar 15 slot drilling and production platform for this block. Your company has a 1.42% interest in this block which should be on production early in 1981.

The second successful gas well has just been completed on parcel 350 and an evaluation of reserves proven to date is now being made. Initial indications are that sufficient reserves have been established to justify a drilling platform, but the A.F.E. approving the platform has not yet been circulated.

The first well on parcel 367 was successful and was followed by a marine seismic detailing program which has now been completed. Well #2 on this parcel is scheduled for the last quarter of 1979 and we hope it will prove up sufficient reserves to justify ordering a drilling platform to undertake commercial production.

We have now completed a marine seismic evaluation of parcel 483 and the initial well on this parcel will be drilled later this year.

On parcel 442 we had our first failure when the well drilled on top of a salt dome was dry hole, but subsequent marine seismic work has indicated good prospects on the flanks of this structure. Well #2 on this parcel will be drilled in the last quarter of 1979.

### Midcon Oil & Gas Limited

Yellowknife Bear owns — 73.80% of the issued stock of Midcon Oil & Gas Limited.

Midcon owns over 47 million cubic feet of natural gas reserves (before royalties) in the Medicine Hat and Etzikom districts of South Eastern Alberta and a 50% interest in South Alberta Pipelines Ltd.

This South Alberta Pipeline formerly carried only gas produced by Midcon and its partner Pembina Pipeline from the Etzikom gas field to Medicine Hat. Late in 1976, the pipeline was tested and upgraded and early in 1977 started transmitting gas on a contract basis for other producers in this area. This pipeline is now carrying over 47 million cubic feet per day of contract gas, a 40% increase in throughput over last year. The operation of South Alberta Pipeline as a contract carrier gas transmission system should add significantly to future Midcon earnings.

During the fiscal year ending June 30, 1979 Midcon net income increased to $557,801 (compared to net income of $340,100 for the previous year).

Midcon gas reserves are all dedicated to long term (to 1985 and 1987) low priced gas sales contracts to the City of Medicine Hat and to the Western Co-operative Fertilizer Plant at Medicine Hat. These contracts contain no price renegotiation clauses. Midcon currently receives (including export bonuses) about 43 cents/M.C.F. for gas sold to the City and 48 cents/M.C.F. for gas sold to the Western Co-op. This compares to an average Alberta field price of about $1.33 per M.C.F.

Unless Midcon drills additional wells in the very near future they will be unable to maintain minimum contract gas deliveries. Midcon has now advised both customers that unless they are willing to increase gas prices or otherwise increase compensation, they will face steadily decreasing gas deliveries, because it will be uneconomic to drill additional wells at present gas prices to maintain deliverability. Midcon management believe they are making some headway in negotiations with both customers.

## FUTURE DEVELOPMENT

### Cold Lake Alberta

Esso Resources Canada Ltd., a wholly owned subsidiary of Imperial Oil has been granted qualified permission by the Alberta Energy and Natural Resources conservation Board to proceed with a 165,000 barrel per day tertiary recovery steam injection production operation at Cold Lake Alberta, plus permission to construct an upgrading plant to convert this heavy 11° A.P.I. gravity Cold Lake oil to a low sulphur synthetic light crude oil.

Esso have indicated that provided they are able to negotiate satisfactory Crown Royalty and tax rates with the Provincial and Federal governments, they expect the scheme to be in full operation by 1986. This massive scheme with an initial cost of 2.7 billion dollars will also provide pipeline facilities to carry the synthetic crude oil to Edmonton.

Yellowknife Bear holds a 65% interest in 4,320 acres of oil sands lease in the Cold Lake area, situated immediately south of the Esso lease block. The Northwest corner of our lease block is one mile south of the Esso Cold Lake project boundary.

Your company has previously participated in two Cold Lake pilot projects on our lease block which produced about 100,000 barrels of oil, but, until either oil upgrading facilities or blending and pipelining facilities are available at Cold Lake, we cannot contemplate commercial production from our lease block. It now seems likely that these facilities will become available as a result of the Esso project. We anticipate that we will be able to purchase sufficient synthetic crude to blend with the very heavy viscous Cold Lake crude we produce from our lease block to produce a blend light enough to ship by pipeline. We would then transport this blend to market either through the Esso pipeline to Edmonton or failing this by a pipeline to Lloydminster which Murphy/Oil expect to build into the Cold Lake area in about five years' time.

Our pooled lease block at Cold Lake (65% Yellowknife Bear) contains sufficient reserves of heavy oil to support production of 15,000 barrels of oil per day for over 20 years. We have on the drawing board a two stage development plan for this property starting with a 2,700 barrel per day pilot prototype operation to demonstrate economic feasibility to be followed by a 14,000 barrel per day full stage production operation.

Our present plans are to schedule the start up of the first phase of this operation to coincide with the first availability of synthetic crude for blending and pipeline transportation availability from Cold Lake.

## FUTURE OUTLOOK

The directors of Yellowknife Bear Mines Limited sincerely believe that the most valuable asset of your Company is its oil sand lease interest at Cold Lake. For a number of years we have carefully conserved our financial resources by maintaining a substantial investment portfolio and slowly but steadily building production income by participating in fairly low risk stepout exploratory and development operations. Your Company has no debt and has the financial resources to carry through stage one of our two stage program at Cold Lake, which after many years of delay now appears to be almost at hand. We are confident that once we establish the economic feasibility with this stage one program, we will have no difficulty arranging financing to expand production from our pooled Cold Lake block from 2,700 barrels per day to 14,000 barrels per day.

Respectfully submitted,
On behalf of the Board of Directors.

J. DOUGLAS STREIT,
President.

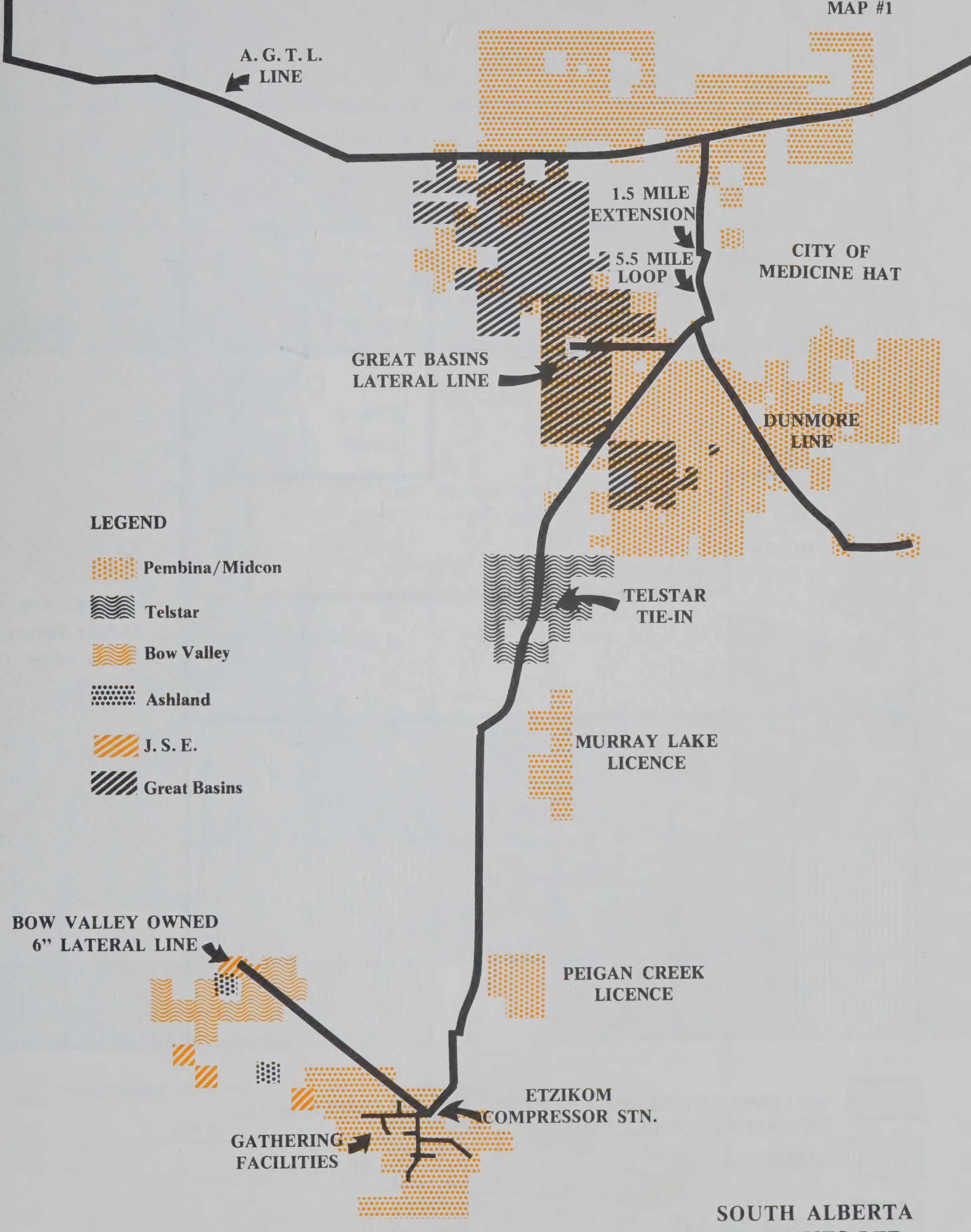
Toronto, Ontario.
October 5. 1979

**SI CONVERSION TABLE**

| To convert from | To | Multiply by |
|---|---|---|
| Cubic metre ($m^3$) | barrel (bbl) | 6.293 |
| Thousands of cubic meters ($10^3m^3$) | thousand cubic feet (mcf) | 35.494 |
| Tonne (t) | long ton (lt) | 0.984 |
| Metre (m) | foot (ft) | 3.281 |
| Kilometre (km) | mile (mi) | 0.621 |
| Hectare (ha) | acre (ac) | 2.471 |

**Examples:**
$10^3m^3$ = one thousand cubic metres
$10^6m^3$ = one million cubic metres
$10^9m^3$ = one billion cubic metres

MAP #1



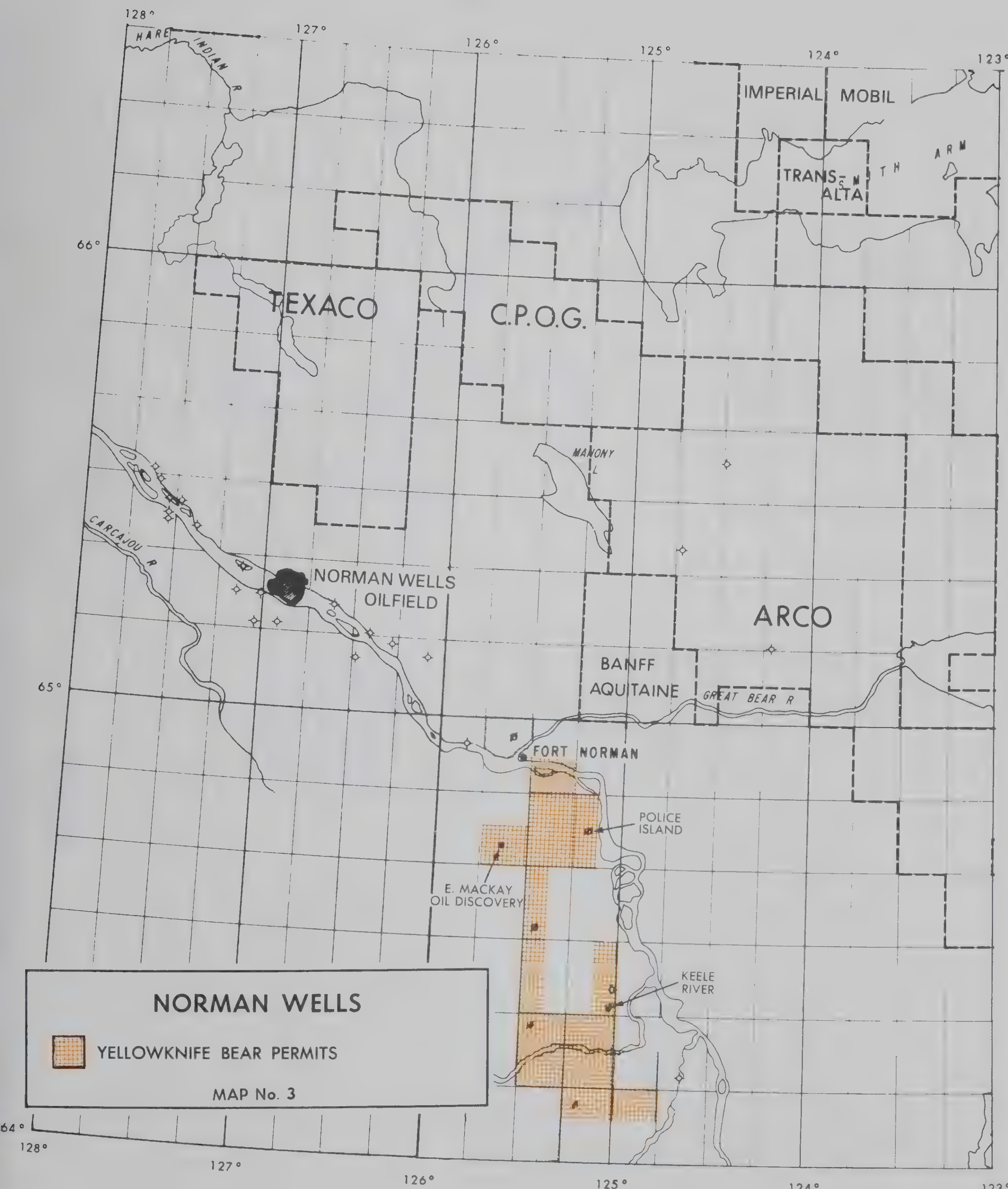

SOUTH ALBERTA PIPE LINES LTD.

**PIPE LINE SYSTEM**

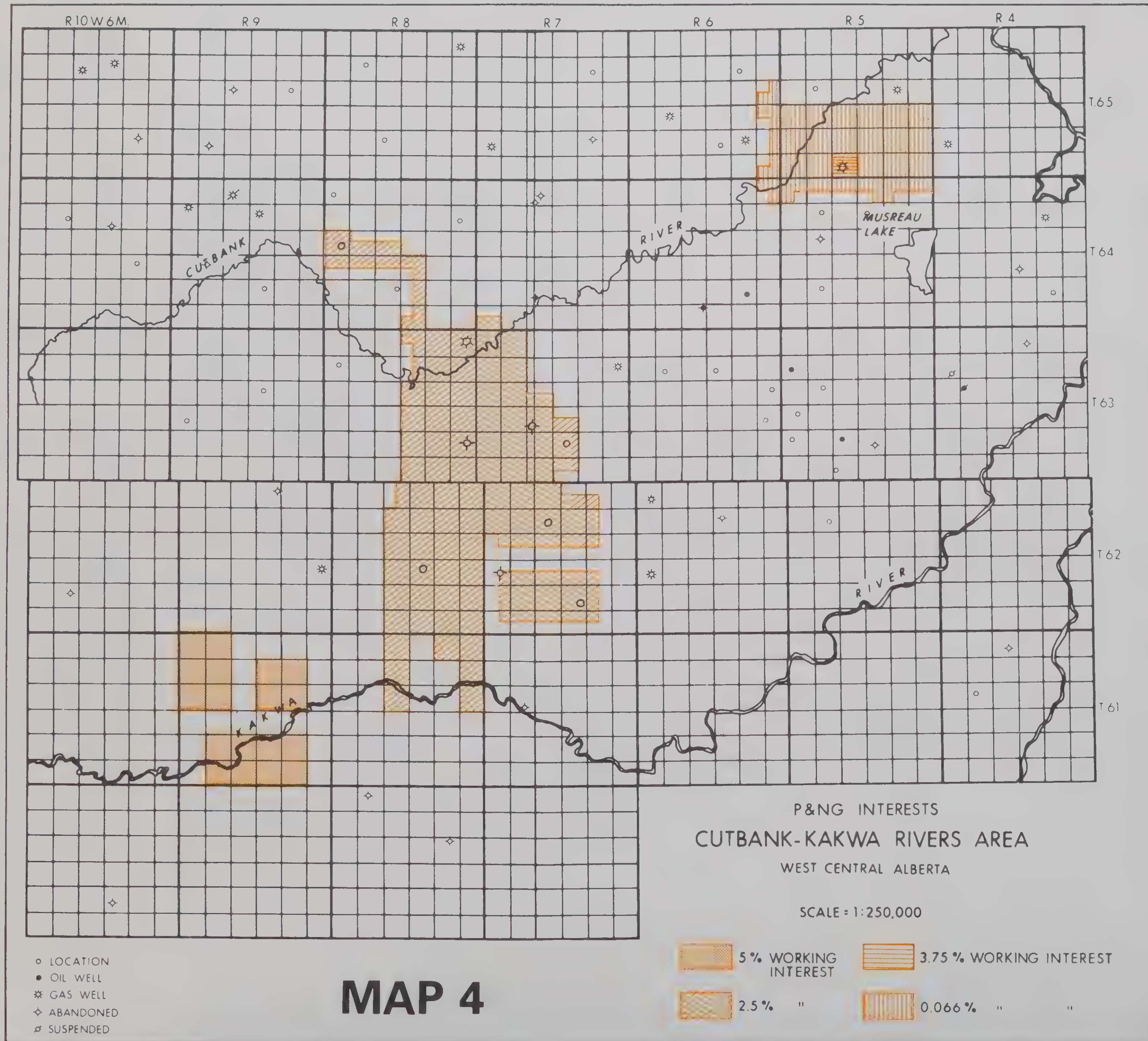
# MAP 1


Imperial Test Project
ETHEL LAKE
HILDA LAKE
Yellowknife Bear Test Project
Cold Lake Indian Reserve No. 1498
YELLOWKNIFE BEAR — NORCEN ENERGY RESOURCES LTD.
AMERADA
KAISER OIL LTD.
IMPERIAL OIL
MOBIL OIL
BP

**MAP 2**



IMPERIAL
MOBIL
TRANS-ALTA
TEXACO
C.P.O.G.
MAHONY L
NORMAN WELLS OILFIELD
ARCO
BANFF AQUITAINE
GREAT BEAR R
FORT NORMAN
POLICE ISLAND
E. MACKAY OIL DISCOVERY
KEELE RIVER
CARCAJOU R
HARE INDIAN R
NORMAN WELLS
YELLOWKNIFE BEAR PERMITS
MAP No. 3


R10W6M.
R9
R8
R7
R6
R5
R4
T65
T64
T63
T62
T61
CUTBANK
RIVER
MUSREAU LAKE
RIVER
KAKWA
P&NG INTERESTS
CUTBANK-KAKWA RIVERS AREA
WEST CENTRAL ALBERTA
SCALE = 1:250,000
5 % WORKING INTEREST
3.75 % WORKING INTEREST
2.5 % "
0.066 % " "
LOCATION
OIL WELL
GAS WELL
ABANDONED
SUSPENDED

# MAP 4

**MacGILLIVRAY & CO.**
Chartered Accountants
TORONTO, CANADA

## AUDITORS' REPORT

To the Shareholders of
YELLOWKNIFE BEAR MINES LIMITED:

We have examined the consolidated balance sheet of Yellowknife Bear Mines Limited as at June 30, 1979, and the consolidated statements of earnings, retained earnings and changes in financial position and the consolidated schedule of marketable securities for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditor who has examined the financial statements of the subsidiary.

The recovery of the costs incurred on oil and natural gas properties under development is dependent upon various development projects, the success of which cannot be forecast at this time.

In our opinion, subject to the matter referred to in the preceding paragraph, these consolidated financial statements present fairly the financial position of the company as at June 30, 1979, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MacGILLIVRAY & CO.
Chartered Accountants.

Toronto, Ontario.
August 2, 1979.

# YELLOWKNIFE BEAR MINES LIMITED

## *Consolidated Balance Sheet as at June 30, 1979*

(Thousands of Dollars)

### ASSETS

| | 1979 | 1978 |
|---|---|---|
| **Current** | | |
| Cash and interest bearing term deposits | $ 2,022 | $ 2,201 |
| Sundry receivables | 325 | 271 |
| | 2,347 | 2,472 |
| **Investments** | | |
| Marketable securities, at cost (quoted market value $14,037; 1978 - $8,948) | 5,365 | 4,659 |
| Equity in shares and debentures of South Alberta Pipe Lines Limited | 759 | 732 |
| Other companies, at cost less valuation adjustments (Note 2) | 83 | 69 |
| | 6,207 | 5,460 |
| **Interest in Oil and Natural Gas Properties** | | |
| Less accumulated amortization and depreciation | 7,392 | 6,861 |
| **Other** | 8 | 9 |
| | $15,954 | $14,802 |

### LIABILITIES

| | 1979 | 1978 |
|---|---|---|
| **Current** | | |
| Accounts payable and accrued liabilities | $ 204 | $ 67 |
| Income taxes payable | 164 | — |
| | 368 | 67 |
| **Deferred Revenue** (Note 3) | 53 | — |
| **Deferred Income Taxes** (Note 4) | 2,128 | 1,433 |
| **Minority Interest** | 918 | 882 |
| | 3,467 | 2,382 |

### SHAREHOLDERS' EQUITY

| | 1979 | 1978 |
|---|---|---|
| **Stated Capital** (Notes 5 and 8) | | |
| Issued | | |
| 4,814,041 Common shares | 4,814 | 4,814 |
| **Retained Earnings** | 8,000 | 7,933 |
| | 12,814 | 12,747 |
| Deduct — Company's pro rata interest in its shares held by subsidiary companies | 327 | 327 |
| | 12,487 | 12,420 |
| | $15,954 | $14,802 |

APPROVED BY THE BOARD

J. DOUGLAS STREIT, Director
W. E. REARDEN, Director

# YELLOWKNIFE BEAR MINES LIMITED

## *Consolidated Statement of Retained Earnings*
## *For the Year Ended — June 30, 1979*

(Thousands of Dollars)

| | | 1979 | 1978 |
|---|---|---|---|
| **Balance, Beginning of Year** | | $7,933 | $6,695 |
| Add: Net earnings for the year | | 445 | 1,616 |
| | | 8,378 | 8,311 |
| Deduct: Dividends paid | $385 | | |
| Less: Adjustment on consolidation | 7 | 378 | 378 |
| **Balance, End of Year** | | $8,000 | $7,933 |

# YELLOWKNIFE BEAR MINES LIMITED

## *Consolidated Statement of Earnings*
## *For the Year Ended — June 30, 1979*

(Thousands of Dollars except per share calculations)

| | 1979 | 1978 |
|---|---|---|
| **Oil and Gas Revenue** | $2,735 | $2,446 |
| Royalties | 831 | 711 |
| Production processing and transportation | 298 | 238 |
| Exploration expenses | 83 | 58 |
| Depreciation, depletion and amortization | 137 | 164 |
| | 1,349 | 1,171 |
| | 1,386 | 1,275 |
| **Equity in Income of South Alberta Pipe Lines Limited** | 77 | 41 |
| **Exploration and Development Expenses—Mining** | ( 2) | ( 2) |
| **Investment Income** | | |
| Dividends received from Canadian corporations | 76 | 84 |
| Dividends received from Foreign corporations | 51 | 40 |
| Interest earned | 240 | 120 |
| Gain on foreign exchange | 3 | 30 |
| Capital gain on sale of investments | 40 | 1,451 |
| | 410 | 1,725 |
| **General and Administrative Expenses** (Note 6) | ( 348) | ( 336) |
| **Abandoned Well Costs (Written Off) Recovered** | ( 40) | 20 |
| **Earnings Before Income Taxes and Minority Interest** | 1,483 | 2,723 |
| Current income taxes | 164 | — |
| Deferred income taxes (Note 4) | 695 | 1,007 |
| Minority interest in income of subsidiary companies | 179 | 100 |
| | 1,038 | 1,107 |
| **Net Earnings for the Year** | $ 445 | $1,616 |
| **Earnings Per Share Before Deferred Income Taxes** | $.24 | $.55 |
| **Net Earnings Per Share** | $.09 | $.34 |
| **Fully Diluted Earnings Per Share** | $.09 | $.32 |

# YELLOWKNIFE BEAR MINES LIMITED

## *Consolidated Statement of Changes in Financial Position*
## *For the Year Ended — June 30, 1979*

(Thousands of Dollars)

| | 1979 | 1978 |
|---|---|---|
| **Working Capital Derived From** | | |
| Operations | | |
| Net earnings for the year | $ 445 | $1,616 |
| Add — Charges to operations not affecting working capital | 972 | 1,218 |
| | 1,417 | 2,834 |
| Sale of investments (cost value) | 339 | 2,339 |
| Deferred revenue | 53 | — |
| | 1,809 | 5,173 |
| **Working Capital Applied To** | | |
| Cash advances | 6 | 1 |
| Dividends | 378 | 378 |
| Dividends paid to minority interests | 148 | — |
| Purchase of investments | 995 | 2,378 |
| Purchase of interest in oil and natural gas properties | 708 | 951 |
| | 2,235 | 3,708 |
| **Increase (Decrease) in Working Capital** | ( 426) | 1,465 |
| Working capital, beginning of year | 2,405 | 940 |
| **Working Capital, End of Year** | $1,979 | $2,405 |

# YELLOWKNIFE BEAR MINES LIMITED

## *CONSOLIDATED SCHEDULE OF MARKETABLE SECURITIES*

### *As at June 30, 1979*

(Thousands of Dollars)

| | Balance, June 30, 1979 | | |
|---|---|---|---|
| | No. of Shares | Cost | Market Value |
| Alcan Aluminum Ltd. | 10,000 | $ 236 | $ 402 |
| Belco Petroleum Corporation | 15,000 | 389 | 680 |
| Cabot Corporation | 15,000 | 367 | 680 |
| Canadian Pacific Ltd. 4% pfd. | 15,000 | 154 | 116 |
| Canadian Superior Oil Ltd. | 12,900 | 709 | 1,754 |
| Dome Mines Limited | 8,000 | 265 | 356 |
| Dome Petroleum Limited | 16,000 | 198 | 776 |
| Eastern Gas and Fuel Associates | 10,000 | 222 | 248 |
| G.D.V. Inc. | 552,040 | 1,434 | 6,128 |
| Gulf Canada Limited | 8,000 | 142 | 490 |
| Imperial Oil Limited "A" | 5,000 | 143 | 191 |
| Louisiana Land & Exploration Co. | 5,000 | 189 | 189 |
| Mesa Petroleum Corporation | 5,000 | 231 | 372 |
| Pan Canadian Petroleum Limited | 15,000 | 233 | 881 |
| Pembina Pipe Lines Limited | 8,400 | 38 | 84 |
| Shell Canada Limited "A" | 15,000 | 174 | 386 |
| Standard Oil Co. of California | 2,500 | 85 | 142 |
| Texaco Incorporated | 5,000 | 156 | 162 |
| | | $ 5,365 | $14,037 |

# YELLOWKNIFE BEAR MINES LIMITED

## *Notes to the Consolidated Financial Statements*
## *For the Year Ended — June 30, 1979*

(Thousands of Dollars)

### NOTE 1: ACCOUNTING POLICIES

(a) **Basis of Consolidation**

The consolidated financial statements include the accounts of the company and its subsidiary Midcon Oil & Gas Limited.

(b) **Investments**

Marketable securities are carried at cost. Investments in other companies are carried at cost, less write-down for declines in market value where appropriate.

The 50% investment in South Alberta Pipe Lines Limited, owned by Midcon Oil & Gas Limited, is carried on the equity basis.

(c) **Oil and Natural Gas Properties**

The company records as an expense all exploration costs incurred until such time as it is decided to drill. All costs incurred subsequent to commencement of the drilling are capitalized as oil well development and equipment costs. Leases and well costs are carried at cost and are written off when the leases are abandoned or when the leases are not considered to have a value equivalent to their cost.

The cost of productive leases and related development and equipment costs are amortized over the period of expected productivity.

(d) **Foreign Exchange**

Foreign currency amounts are translated to Canadian currency as follows:

- current accounts at the rate in effect at the end of the year;
- other balance sheet accounts at historic rates;
- revenue at the rate in effect when received.

The resulting exchange gains or losses are included in the statement of earnings.

### NOTE 2: INVESTMENT IN OTHER COMPANIES

| Shares | Cost | Allowance for Decline in Value | Carrying Value |
|---|---|---|---|
| Rich Group Yellowknife Mines Limited ...... | $ 42 | $ — | $ 42 |
| Yellorex Mines Limited .................... | 115 | 97 | 18 |
| Sundry advances and other investments ....... | 23 | — | 23 |
| | $180 | $ 97 | $ 83 |

### NOTE 3: DEFERRED REVENUE

The company has received $53 for gas which has not been delivered. The payor may take delivery of this gas at any time during the period ended October 31, 1989. In the event the payor does not take delivery during the aforementioned period, the company will be entitled to retain the funds.

# YELLOWKNIFE BEAR MINES LIMITED

## *Notes to the Consolidated Financial Statements — Continued*

(Thousands of Dollars)

NOTE 4: **INCOME TAXES**

Dividends from Canadian corporations and the equity in the income of South Alberta Pipe Lines Limited are not taxable.

Exploration, development and lease costs are added to the accumulated development and lease costs allowable under the Income Tax Act. Deferred income taxes arise as a result of claiming the accumulated cost for income tax purposes in excess of those claimed for financial statement purposes.

NOTE 5: **CANADA BUSINESS CORPORATIONS ACT**

On October 12, 1978 the company obtained a certificate of continuance under the Canada Business Corporations Act.

NOTE 6: **GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses include the following:

| | 1979 | 1978 |
|---|---|---|
| Directors' fees and salaries | $ 45 | $ 45 |
| General and office | 40 | 35 |
| Legal and audit | 49 | 40 |
| Rent and office services | 31 | 25 |
| Salaries — management and office | 121 | 144 |
| Shareholders' reports and expenses | 26 | 25 |
| Transfer and registrar | 36 | 22 |
| | $348 | $336 |

NOTE 7: **CONTINGENT LIABILITY**

During 1977 the company's transfer agent refunded all unclaimed dividends declared prior to June 30, 1975. The company is required to pay unclaimed dividends providing the claim is made within six years of the date of declaration. No provision has been made for the potential liability to pay these dividends as the amount is not material.

NOTE 8: **EMPLOYEE STOCK OPTIONS**

In 1978 stock options were granted to two officers, who are also directors, to purchase 17,000 common shares each at $5.00 per share on or before June 30 in each of the years 1978 to 1982 inclusive. This option is cumulative from year to year with respect to any shares not so purchased. The whole of the shares so optioned may be purchased at any earlier time.

NOTE 9: **COMPARATIVE FIGURES**

Certain 1978 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1979.

YB